

## Message Text

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64

ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

CIAE-00 COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 PA-04 PRS-01 USIA-15 AGR-20 TAR-02

INT-08 FEA-02 DRC-01 /196 W  
----- 129597

R 232210Z SEP 74

FM AMEMBASSY BOGOTA  
TO SECSTATE WASHDC 4958  
INFO AMCONSUL MEDELLIN  
AMCONSUL CALI

UNCLAS BOGOTA 8538

E.O. 11652: NA

TAGS: EFIN

SUBJECT: REVISION OF EXPORT PROMOTION PROGRAM-CAT

PASS TREASURY FOR SUCHMAN

REF BOGOTA 8493

1. BEGIN SUMMARY. THE LONG AWAITED REVISION OF THE CAT SYSTEM WAS UNVEILED EVENING OF SEPT 20 BY PRESIDENTIAL DECREE WHICH GOES INTO EFFECT JAN 1, 1975. IT VIRTUALLY ELIMINATES CAT TAX REBATES FOR A WIDE RANGE OF MOSTLY PRIMARY SECTOR COMMODITIES INCLUDING CUT FLOWERS. OTHER NON-COFFEE AND PETROLEUM EXPORTS WILL BE ENTITLED TO ONLY A 5 PERCENT CAT AS COMPARED TO 13 AND 15 PERCENT UNDER THE FORMER SYSTEM. END SUMMARY.

2. THE CAT WAS REDUCED TO ONE-TENTH OF ONE PERCENT FOR A WIDE RANGE OF PRODUCTS IN SHORT SUPPLY IN COLOMBIA AND/OR PRODUCTS WHERE WORLD PRICES HAVE RISEN SUBSTANTIALY.  
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MAJOR PRODUCTS IN THIS CATEGORY INCLUDE: CEREALS, MOST

LIVE ANIMALS, SUGAR, CEMENT, CHEMICAL AND PHARMACEUTICAL PRODUCTS, FERTILIZERS, PLASTIC MATERIALS, WOOD, PRECIOUS AND SEMI-PRECIOUS STONES, FLOWERS, AND METALS. SOME OF THESE PRODUCTS WERE ENTITLED TO ONLY A ONE PERCENT CAT UNDER THE OLD SYSTEM.

3. ALL OTHER AGRICULTURAL EXPORTS NOT SPECIFICALLY PROVIDED THE ONE-TENTH OF ONE PERCENT CAT WILL BE ENTITLED TO A SEVEN PERCENT CAT OF WHICH TWO PERCENT POINTS WILL CONTINUE TO BE TRANSFERED TO ICA TO HELP SMALL AGRICULTURAL PRODUCERS. THIS WILL MEAN THAT THESE EXPORTERS WILL NOT RECEIVE A CAT OF 5 PERCENT AS COMPARED TO 13 PERCENT UNDER THE FORMER SYSTEM.

4. ALL OTHER EXPORT PRODUCTS WILL BE ENTITLED TO 5 PERCENT CAT REBATES. UNDER THE FORMER REGULATIONS PRODUCTS IN THIS CATEGORY WERE ENTITLED TO A 15 PERCENT CAT. NO MENTION IS MADE IN THE PRESIDENTIAL DECREE OF THE 40 PERCENT DOMESTIC VALUE ADDED REQUIREMENT WHICH WAS MANDATORY UNDER THE OLD SYSTEM.

5. THE ANNOUNCED CAT REDUCTIONS ARE CERTAIN TO MAKE EXPORTING LESS PROFITABLE THAN IT OTHERWISE WOULD BE. HOWEVER, IT IS NOT CLEAR IF THESE REDUCTIONS WILL BE A SUFFICIENT DIS-INCENTIVE TO SLOW DOWN SIGNIFICANTLY THE GROWTH OF NON-TRADITIONAL EXPORTS. THE FUTURE GROWTH AND PROFITABILITY OF THESE EXPORTS WILL DEPEND ON(A) THE STRENGTH OF WORLD DEMAND AND PRICE TRENDS FOR COLOMBIA PRODUCTS ABROAD, (B) CONTINUED ACCESS TO WORLD MARKETS, AND (C) GOC'S EXCHANGE RATE POLICY.

6. BEGIN COMMENT: UNDER PRESENT LAW MODIFICATION OF THE CAT COULD NOT BE PUT INTO EFFECT UNTIL 1 JAN 1975 UNLESS EMERGENCY ECONOMIC POWERS WERE USED. THE BUDGET SAVING FROM THE REDUCTIONS IN CAT WILL NOT BE REALIZED UNTIL THE SECOND HALF OF 1975 WHERE FEWER CAT CERTIFICATES WILL THEN BE MATURING. THE DECISION TO SUBSTANTIALLY REDUCE THE CAT MAY BE A MEASURE TAKEN BY THE GOC TO HELP REDISTRIBUTE INCOME. THAT IS, INSTEAD OF USING GOVERNMENT REVENUES TO SUBSIDIZE EXPORTS THROUGH CAT REBATES, WHICH ONLY INDIRECTLY BENEFITS THE POOR; THE FUNDS SAVED BY REDUCING THE CAT COULD BE USED TO SUPPORT

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PROGRAMS OF MORE DIRECT BENEFIT TO THE POORER SOCIO-ECONOMIC GROUPS. IN ANY EVENT, THE DECISION TO SUBSTANTIALLY REDUCE THE CAT GOES A LONG WAY IN REDUCING THE DANGER OF FUTURE COUNTERVAILING DUTY CLAIMS AGAINST COLOMBIAN IMPORTS TO THE US.  
END COMMENT.  
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## Message Attributes

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**Disposition Case Number:** n/a  
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**Subject:** REVISION OF EXPORT PROMOTION PROGRAM-CAT PASS TREASURY FOR SUCHMAN  
**TAGS:** EFIN, CO  
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